

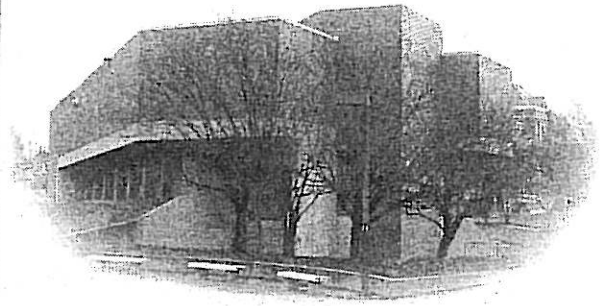
## KY TRIVIA

Arthur Lake, from Corbin, appeared in On with the Show, Midshipman Jack and Sixteen Fathoms.

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# Frankfort & Kentucky



## Budget issues rampant nationwide

### Nearly two dozen other states also face financial shortfalls over the next two years

BY JOE BIESK

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As Kentucky faces a projected revenue shortfall of nearly \$1 billion over the next two fiscal years, the state is not alone in the nation when it comes to grappling with sagging revenues and increasing budgetary needs.

Kentucky is among states across the country that are facing tough budget decisions this year, according to a review by The Associated Press. Nearly two dozen states are facing shortfalls that combined total more than \$34 billion, the AP review found.

"Nearly all the states are having problems, and the ones that aren't are getting ready to have problems because of the downturn in the national economy," said House Speaker Jody Richards, D-Bowling Green. "This is not unique to Kentucky in any way."

Kentucky is facing a projected budget shortfall of approximately \$900 million over the next two fiscal years beginning July 1. That's about \$580 million in fiscal 2009 and about \$300 million in 2010.

Lawmakers in Kentucky are pondering various options, including raising the state's tax on cigarettes and significant cuts to higher education funding. Gov. Steve Beshear has proposed a two-year spending plan that calls for 12 percent cuts to public universities and multiple government programs and agencies.

Beshear has proposed an austere two-year \$18.5 billion spending plan that includes significant cuts to state agencies and public universities. Kentucky's current two-year budget is about \$18.1 billion.

But Beshear has said that cuts to higher education and other

areas of state government were needed to offset unavoidable hikes in "have to" areas such as Medicaid and the state's prison system.

Beshear has already ordered 3 percent spending cuts to state government and public universities in an effort to resolve the current fiscal year's \$434 million budget shortfall. Beshear attributed the current year fiscal problems to less income than was considered in the budget, additional spending that was authorized by the General Assembly since the budget was passed and additional spending needs in programs such as Medicaid and the state's prison system.

A group of Kentucky economists, known as the Consensus Forecasting Group, predicts shrinking revenue from various sources, including corporate and

individual income taxes and sales taxes.

Now Kentucky lawmakers are considering ways to increase revenue.

Beshear is pushing a proposal to legalize casino gambling, which he says could bring at least \$500 million in license fees by next year and \$600 million in new revenue in future years.

The Kentucky House last week approved a budget proposal that called for an increase in the cigarette tax of 25 cents per pack. Beshear wants lawmakers to pass a 70-cent cigarette tax increase and use the revenue to generate up to \$800 million in new revenue through bonds.

Beshear, who has opposed raising such taxes, said he believed the proposed cuts to state government would be too severe.

Senate President David Wil-

liams, however, said there is "very little if any sentiment" for raising taxes. The state is in "tough economic times," and there will likely be "some cuts," Williams said.

"I never have believed, and do not believe, that we are in a fiscal crisis," Williams said.

Nevertheless, Kentucky's Medicaid program would likely fall short at least \$360 million over the next two fiscal years under Beshear's proposed budget, Health and Family Services Secretary Janie Miller recently told a legislative panel.

Under the House-approved plan, Kentucky would also refinance General Fund debt, and other services would be taxed under the proposal.

Public-school teachers, however, would see a pay increase of 4 percent over the next two years under the proposal.

Along with the cigarette tax increase, the House revenue package counts on revenue from higher taxes on other tobacco products and a variety of business services to generate an additional \$95 million.

Revenue from the taxes coupled with cost-saving provisions would generate some \$800 million over the next two years.

One of the largest of those provisions calls for restructuring and refinancing General Fund debts to save about \$300 million over two years.

Williams said he did not agree with the House's proposal, which is pending in the Senate.

"I think that that's not responsible," Williams said of the House plan.